

CHAIRMAN'S STATEMENT

TRANSFERRING PCCW'S PROPERTY AND INFRASTRUCTURE INTERESTS INTO A SEPARATELY-LISTED ENTITY CREATED THE GROUP'S PROPERTY FLAGSHIP, WHICH IS NOW READY TO SEIZE FULL ADVANTAGE OF CURRENT POSITIVE CONDITIONS, WHILST PERMITTING PCCW TO FOCUS ON ITS CORE TELECOMMUNICATIONS AND RELATED BUSINESSES.



DEAR FELLOW SHAREHOLDERS

Hong Kong's property market has been refreshed by a new air of confidence, which is attracting the attention of investors on an international scale.

The major economies of the world appear to have entered an inflationary period, with many Asian nations at a turning point in their fortunes. Particularly important for Hong Kong is the successful way mainland China seems to be managing a 'soft landing' for an economy that was feared to be rising out of control.

Improved market sentiment, an economy forecast to grow at 6 percent and a continued influx of funds sets the scene for Pacific Century Premium Developments to make its mark in the property industry.

Transferring PCCW's property and infrastructure interests into a separately-listed entity created the Group's property

flagship, which is now ready to seize full advantage of current positive conditions in the property market, whilst permitting PCCW to focus on its core telecommunications and related businesses.

In Hong Kong, the limited supply of high-end residential property bodes well for PCPD, as our sales professionals apply their premium-development approach to transforming luxury apartments at Bel-Air and other new projects into revenues and to unlocking potential value via the redevelopment of PCCW's telephone exchanges. In addition, our investment portfolio of premium-grade properties and facilities management expertise is expected



to benefit from the improving economy and will continue to provide a stable source of income.

Lastly, as Chairman of the new Company, I am focused on the Group's continuing strategy of managing our businesses to produce significant and positive impact on shareholder value. 🏠

Sincerely,

Richard Li
Chairman

July 22, 2004